

**AUDITED FINANCIAL STATEMENTS  
REQUIRED SUPPLEMENTAL INFORMATION  
OTHER FINANCIAL INFORMATION  
AND SUPPLEMENTAL REPORTS**

**WESTERN UPPER PENINSULA  
MANPOWER CONSORTIUM  
IRONWOOD, MICHIGAN**

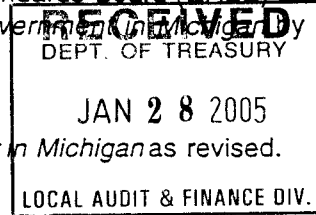
**June 30, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name WESTERN UPPER PENINSULA MANPOWER CONSORTIUM	County GOGEBIC
Audit Date JUNE 30, 2004	Opinion Date DECEMBER 22, 2004	Date Accountant Report Submitted to State: JANUARY 26, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) JOKI, MAKELA & POLLACK, P.L.L.C.			
Street Address 301 N. SUFFOLK ST.	City IRONWOOD	State MI	ZIP 49938
Accountant Signature <i>John Makela, Pollack, PLLC</i>			

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**JOKI, MAKELA & POLLACK, P.L.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.  
W. J. JOKI, C.P.A.  
A. R. POLLACK, C.P.A., C.S.E.P.  
MEMBERS

TELEPHONE  
906-932-4430  
FAX  
906-932-0677  
EMAIL  
jmp@ironwoodcpa.com

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Directors  
Western Upper Peninsula Manpower Consortium  
Ironwood, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium as of June 30, 2004, and the changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2004, on our consideration of Western Upper Peninsula Manpower Consortium's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 5 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted

principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Western Upper Peninsula Manpower Consortium's basic financial statements taken as a whole. The accompanying Other Financial Information, which includes the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Joti, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
December 22, 2004

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2004

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#### Management's Discussion and Analysis

This section of the Western Upper Peninsula Manpower Consortium's (Consortium) annual financial report presents our discussion and analysis of the Consortium's financial performance during the year ended June 30, 2004. It is to be read in conjunction with the Consortium's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2004.

#### Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Consortium as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Consortium's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Consortium that include all services performed by the Consortium. These activities are funded by federal and state grants.

The statement of net assets shows the Consortium's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets or deficit of the Consortium. A deficit occurs when there are more liabilities than there are assets to pay those liabilities. This statement measures the financial strength of the Consortium; the greater the net asset figure, the healthier the financial position of the Consortium generally is. It helps management determine if the Consortium will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expenditure basis. It generally shows the operating results for a given year of the Consortium. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Consortium.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Fund Financial Statements

The Consortium's fund financial statements show detail of funds that are determined to be significant, called major funds. The Consortium has only one fund. That fund is a special revenue fund which is the major governmental fund. The Consortium has no nonmajor funds.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Consortium's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

### Government-wide Financial Statements – Condensed Financial Information

#### Statement of Net Assets

The following table shows the June 30, 2004 and 2003, condensed statement of net assets with a detailed analysis of the statement below.

		Governmental Activities	
		June 30,	
		<u>2004</u>	<u>2003</u>
ASSETS			
Current Assets:			
Cash	\$	60,209	\$ 15,699
Accounts receivable		118,201	202,801
Other current assets		<u>22,170</u>	<u>17,997</u>
Total Current Assets	\$	200,580	\$ 236,497
Noncurrent Assets -			
Capital assets, net of accumulated depreciation		<u>25,083</u>	<u>28,663</u>
Total Assets	\$	<u>225,663</u>	<u>\$ 265,160</u>

# MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Government-wide Financial Statements – Condensed Financial Information (Continued)

### Statement of Net Assets (Continued)

		Governmental Activities	
		June 30,	
		<u>2004</u>	<u>2003</u>
<b>LIABILITIES</b>			
Accounts payable		\$ 98,894	\$ 123,084
Other current liabilities		<u>101,686</u>	<u>113,413</u>
	Total Current Liabilities	\$ 200,580	\$ 236,497
Long-term liabilities		<u>17,494</u>	<u>24,085</u>
	Total Liabilities	<u>\$ 218,074</u>	<u>\$ 260,582</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt		\$ 25,083	\$ 28,663
Unrestricted (deficit)		<u>(17,494)</u>	<u>(24,085)</u>
	Total Net Assets	<u>\$ 7,589</u>	<u>\$ 4,578</u>

The Consortium's net assets are \$7,589 at June 30, 2004. This is an increase of \$3,011 from the prior year. Capital assets, net of related debt are \$25,083. This figure is derived by taking the original costs of the Consortium's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets. The Consortium had no debt related to fixed assets at June 30, 2004.

The unrestricted net assets are in a deficit of \$17,494 as of June 30, 2004. This is the net accumulated results of past years' operations. This deficit is directly attributable to the accrual required for the long-term liability for vacation benefits payable. The nature of the Consortium's operations is based on expense reimbursed grants. Once the vacation benefits are paid out, grants will be charged for reimbursement based on the Consortium's cost allocation plan.

### Statement of Activities

The results of operations for the Consortium as a whole are reported in the statement of activities (see the following condensed table). This statement reports the changes in net assets for the fiscal year ended June 30, 2004 and 2003.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

### Statement of Activities (Continued)

	Governmental Activities	
	<u>Year ended June 30,</u>	
	<u>2004</u>	<u>2003</u>
Revenue -		
Program Revenue -		
Operating grants	\$ 2,119,474	\$ 2,271,589
Functions/Program Expenses -		
Health and welfare	<u>2,116,463</u>	<u>2,281,202</u>
Increase (Decrease) in Net Assets	<u>\$ 3,011</u>	<u>\$ (9,613)</u>

The Consortium had an overall increase in net assets of \$3,011 for the year ended June 30, 2004. As explained earlier, the Consortium operates solely on expenditure reimbursed grants and therefore cannot request funds until expenditures are incurred on a modified accrual basis.

The Consortium's total revenues totaled \$2,119,474 for June 30, 2004. Of this amount, \$1,968,927 or 93% were from federal grants. The remaining was from State of Michigan funded grants. \$1,647,902 of the federal grants were from Workforce Investment Act Funds and Reed Act Funds. These funds were composed of ten different grants, each with their own eligibility and spending requirements.

The Consortium's total cost to fund all governmental activities was \$2,116,463. All of these costs were funded by grants from other governmental agencies. This shows the reliance the Consortium has on the federal and state government to provide future funding for their programs and administrative costs.

### Fund Financial Statements

The governmental fund financial statements report the Consortium's finances similar to how they have been reported in previous years. The Consortium had no fund balance at June 30, 2004 or 2003. The reason there is no fund balance is that the Consortium is solely grant funded. Grant revenue is expenditure-driven; no revenue is reported until the expenditures are incurred and requested and received from the grantor. No program income is generated by any of the grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### **Special Revenue Fund Budget**

Each grant or program administered by the Consortium has its own spending plan and requirements which govern the use of grant monies. Many of these grants and programs have different starting dates and ending dates that don't coincide with the Consortium's fiscal year end. For this reason, an overall budget is not formally adopted by the Consortium Board. Each program's expenditures are monitored and compared to budget on an on-going basis as grantor agencies require periodic reporting of grant activities, usually on a quarterly or monthly basis. Program budgets are amended as appropriate by grantors depending on the program spending and activities.

Based on correspondence from the State of Michigan Department of Labor and Economic Growth, the Consortium needs to comply with the requirements of the Michigan Uniform Budgeting and Accounting Act, Public Act 2 of 1968, as amended, through Public Act 493 of 2000, beginning with the fiscal year end June 30, 2005. Budgetary comparison information will be included in future reports.

### **Capital Assets**

At June 30, 2004, the Consortium had \$25,083 invested in capital assets. This amount decreased during the past fiscal year by \$3,580, consisting of additions totaling \$7,105 depreciation charges of \$8,999, and the disposal of assets with a net book value of \$1,686. All capital asset additions were for computer equipment and a copier used by clients directly related to certain grant programs or for administration.

### **Debt**

The Consortium had \$17,494 of long-term liabilities at June 30, 2004. This amount decreased by \$6,591 during the past fiscal year. The entire amount is for accrued vacation benefits payable to employees. The liability for vacation benefits will not be relieved until the benefits are paid out to employees and grant revenue is requested for the expenditures.

### **Future Considerations**

With the State of Michigan and federal government facing financial deficits and spending issues, the funding for various programs administered by the Consortium has decreased. Effective July 1, 2004, various staff positions were eliminated resulting in employee layoffs for three persons. The ability of the state and federal government to fund the Consortium operations will determine the future of the Consortium.

### **Contacting the Consortium**

If you have any questions about this report or need additional information, contact the Director at the Western Upper Peninsula Manpower Consortium, 100 W. Cloverland Drive, Ironwood, MI 49938.

FINANCIAL  
STATEMENTS

STATEMENT OF NET ASSETS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2004

ASSETS	
CURRENT ASSETS	
Cash	\$ 60,209
Accounts receivable - State of Michigan	118,201
Prepaid expenses	<u>22,170</u>
TOTAL CURRENT ASSETS	\$ 200,580
NONCURRENT ASSETS	
Capital assets	\$ 147,295
Less: Accumulated depreciation	<u>(122,212)</u>
TOTAL NONCURRENT ASSETS	\$ 25,083
TOTAL ASSETS	<u>\$ 225,663</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 98,894
Salaries, wages and benefits	64,404
Due State of Michigan	26,243
Deferred revenue	<u>11,039</u>
TOTAL CURRENT LIABILITIES	\$ 200,580
LONG-TERM LIABILITIES -	
Vacation benefits payable	<u>17,494</u>
TOTAL LIABILITIES	<u>\$ 218,074</u>
NET ASSETS	
Investment in capital assets, net of related debt	\$ 25,083
Unrestricted (deficit)	<u>(17,494)</u>
TOTAL NET ASSETS	<u>\$ 7,589</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM  
Year ended June 30, 2004

		<u>Program Revenues</u>	Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Operating Grants	
GOVERNMENTAL FUNCTIONS -			
Current -			
Health and welfare	\$ 2,116,463	\$ 2,119,474	\$ 3,011
NET ASSETS - JULY 1, 2003			<u>4,578</u>
NET ASSETS - JUNE 30, 2004			<u>\$ 7,589</u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GOVERNMENTAL FUND  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2004

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ASSETS

Cash	
Accounts receivable - State of Michigan	\$ 60,209
Prepaid expenses	118,201
	<u>22,170</u>
	<u>\$ 200,580</u>

LIABILITIES AND EQUITY

Accounts payable	
Salaries, wages and benefits	\$ 98,894
Due State of Michigan	64,404
Deferred revenue	26,243
	<u>11,039</u>
	Total Liabilities \$ 200,580
Consortium equity	
	<u>0</u>
	<u>\$ 200,580</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
WITH THE STATEMENT OF NET ASSETS

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2004

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Total fund equity of the governmental fund	\$	0
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Amounts reported for the governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of the capital assets is

\$ 147,295

Accumulated depreciation is

(122,212)

\$ 25,083

Reductions:

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Accrued vacation benefits payable

(17,494)

Total net assets of governmental activities

\$ 7,589

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2004

<hr/>			
Revenues:			
Federal grants		\$	1,968,927
State grants			<u>150,547</u>
		\$	2,119,474
Expenditures:			
Health and Welfare:			
Administration	\$	203,985	
Direct training services		465,940	
Core services - WIA		58,120	
Intensive services - WIA		34,312	
Training and supportive services		477,871	
Training related and supportive services		98,015	
Program costs		569,728	
Retraining		<u>211,503</u>	<u>2,119,474</u>
	Excess of Revenues Over Expenditures	\$	-0-
			<u>-0-</u>
Fund balance at July 1, 2003			
	FUND BALANCE AT JUNE 30, 2004	\$	<u>-0-</u>

The accompanying notes are an integral part of the financial statements.



RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE WITH THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2004

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Total net change in fund balance - governmental fund	\$	0
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation expense exceeds capital outlay in the period.

Depreciation expense	\$	8,999	
Capital outlays		<u>(7,105)</u>	\$ (1,894)

In the statement of activities, operating expenses for compensated absences are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This year the amount paid for compensated absences was more than the amount earned by \$6,591.

6,591

When recognizing the disposal of capital assets, the governmental funds report only the amount of proceeds received as revenue from an other financing source. The statement of activities reports the difference between the proceeds and the net book value of the disposed asset as a gain or loss. The current year statement of activities includes a loss of \$1,686.

(1,686)

Change in net assets of governmental activities

\$ 3,011

The accompanying notes are an integral part of the financial statements.

NOTES TO  
FINANCIAL  
STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

June 30, 2004

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#### NOTE A - REPORTING ENTITY

Western Upper Peninsula Manpower Consortium (the Consortium) was created under State of Michigan Public Act 8 of 1967 to administer the Federal Comprehensive Employee Training Act of 1973, administered the Jobs Training Partnership Act of 1982 and now administers the Workforce Investment Act of 1998. The Consortium operates under an appointed Administrative Board with two members from each of the six counties comprising the Consortium. The Consortium covers a service delivery area of the Michigan counties of Baraga, Gogebic, Houghton, Iron, Keweenaw and Ontonagon with the main office in the City of Ironwood, Michigan, and field offices in the cities of Houghton, L'Anse, Ontonagon and Caspian, Michigan.

The Consortium is, for financial-reporting purposes, a component unit of Gogebic County, Michigan. The financial statements herein present only the financial position and results of operations of the Consortium.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Consortium conform to accounting principles generally accepted in the United States as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The following is a summary of the significant accounting policies:

##### Basis of Presentation

##### Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Consortium. The activities of the Consortium are considered to be governmental activities.

The government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resource measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Consortium's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. The Consortium has one function, health and welfare, and all of its program revenues are generated from operating grants that are restricted for certain purposes.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, which are considered separate fiscal and accounting entities. The Consortium has only one fund. That fund is a special revenue fund, which is the major governmental fund.

Governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current fund liabilities. The Consortium considers revenues to be available if collected within 60 days of the end of the period. Expenditure-based grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

#### Capital Assets and Depreciation

Capital assets include software, equipment, furniture and fixtures and are reported in the government-wide financial statements. Capital assets are defined by the Consortium as assets with an acquisition cost of more than \$5,000 with an estimated useful life of at least three years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function.

The capital assets are depreciated using the straight-line method with a half-month depreciation taken for assets purchased after the fifteenth of each month over the following useful lives.

Computer software	3 years
Equipment, furniture and fixtures	5-20 years

#### Vacation Benefits Payable

The liability for vacation benefits payable is the amount of accrued benefits that is owed by the Consortium to employees and is recorded in the government-wide statement of net assets as a long-term liability.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Investment in Capital Assets, Net of Related Debt

The portion of net assets of the Consortium that consists of capital assets, net of accumulated depreciation and reduced by any long-term liabilities attributable to the acquisition of those assets is reported as investment in capital assets, net of related debt. There were no long-term liabilities associated with these assets at June 30, 2004.

#### Unrestricted Net Assets (Deficit)

Net assets (deficit) not meeting the criteria above are considered unrestricted.

#### Budgets

Each grant or program administered by the Consortium has its own plan, which governs the use of grant monies. Many of the grants and programs have different beginning and ending dates that do not coincide with the Consortium's fiscal year end. Thus, an overall budget is not adopted by the Consortium Board and, accordingly, a budgetary comparison schedule, which is required supplemental information, is not presented as part of the financial statements.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE C - CASH

Deposits are held by the Gogebic County Treasurer and were made in accordance with State of Michigan statutes. The deposits are in accounts insured up to \$100,000 by the Federal Deposit Insurance Corporation. The payroll account is on an imprest system with a zero balance and is under full control of the Consortium. All expenditures are approved by the Gogebic County Board of Commissioners.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

## NOTE D - CHANGES IN CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2004, were as follows:

	Balance at July 1, <u>2003</u>	<u>Additions</u>	<u>Disposals</u>	Balance at June 30, <u>2004</u>
Software, equipment, furniture and fixtures	\$ 167,214	\$ 7,105	\$ 27,024	\$ 147,295
Accumulated depreciation	<u>138,551</u>	<u>8,999</u>	<u>25,338</u>	<u>122,212</u>
	<u>\$ 28,663</u>	<u>\$ (1,894)</u>	<u>\$ 1,686</u>	<u>\$ 25,083</u>

All depreciation expense was allocable to the health and welfare function.

## NOTE E - RETIREMENT SYSTEM

The Consortium's full-time employees are covered by Gogebic County, Michigan's defined benefit pension plan. Retirement contributions of \$20,642 for the year ended June 30, 2004, were made to the plan in accordance with actuarially determined contribution requirements. The details, including the net assets available for benefits, of the pension plan are disclosed in Note Q of County of Gogebic, Michigan's Audited Financial Statements for the year ended December 31, 2003.

## NOTE F - OPERATING LEASES

The Consortium leases office space in various locations in its service area on a monthly basis with total annual rent expense of \$92,139. There are no future lease obligations associated with any leases.

The Consortium also leases various buildings and equipment for specific programs on a short-term basis. The rent expense for these types of rental agreements is minimal with no future lease obligations.

## NOTE G - LONG-TERM LIABILITIES

The long-term liabilities of the Consortium consist of accrued vacation benefits due employees along with an estimate of payroll taxes on those benefits. The amount decreased \$6,591 to \$17,494 from July 1, 2003 to June 30, 2004. Consortium employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. None of the balance is considered a current liability.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE H - DEFERRED COMPENSATION PLANS

Gogebic County, Michigan (the County) offers its employees a choice of several deferred compensation plans created in accordance with Internal Revenue Code Section 457. The Plans, available to the Consortium's full-time employees, permit employees to defer a portion of their salary until future years. Participation in the Plans is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan and all income attributable to those amounts are, until paid or made available to the employee or other beneficiary, to be held in a trust for the exclusive benefit of plan participants and their beneficiaries.

Investments are managed by the Plans' trustees under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants. During the year ended June 30, 2004, wages of \$1,560 were deferred by Consortium employees.

### NOTE I - RISK MANAGEMENT

The Consortium is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the Special Revenue Fund of the Consortium. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Consortium as of June 30, 2004, will not materially affect the financial condition of the Consortium. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

OTHER  
FINANCIAL  
INFORMATION



# DETAIL STATEMENT OF REVENUES, EXPENDITURES

## WESTERN UPPER PENINSULA

Year ended

	Work First		TANF 2002-03 Type A	Welfare to Work			
	TANF* Type A 2002-03	TANF Type A 2003-04		2002-03		2003-04	
				Type F	Type G	Type F	Type G
Revenues:							
Federal grants	\$ 5,880	\$ 99,900	\$ 233	\$ 15,598	\$ 6,693	\$ 46,007	
State grants	<u>2,520</u>	<u>42,814</u>	<u>100</u>	<u>1,184</u>		<u>19,717</u>	<u>\$ 32,862</u>
	\$ 8,400	\$ 142,714	\$ 333	\$ 16,782	\$ 6,693	\$ 65,724	\$ 32,862
Expenditures:							
Administration	\$ 39	\$ 19,469	\$ 333	\$ 2,808	\$ 265	\$ 7,887	\$ 3,942
Direct training services:							
Classroom training							
On-the-job training							
Other training costs		<u>\$ 2,378</u>					
		\$ 2,378					
Core services - WIA							
Intensive services - WIA							
Training and supportive services:							
In-school youth costs							
Out-of-school youth costs							
Training related and supportive services	5,011	60,011		9,666	6,428	11,819	5,080
Program costs	3,350	60,856		4,308		46,018	23,840
Retraining							
	<u>\$ 8,400</u>	<u>\$ 142,714</u>	<u>\$ 333</u>	<u>\$ 16,782</u>	<u>\$ 6,693</u>	<u>\$ 65,724</u>	<u>\$ 32,862</u>
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund balance at July 1, 2003	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE AT JUNE 30, 2004	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

\* Temporary Assistance for Needy Families

\*\* Detail included on following pages

# AND CHANGES IN FUND BALANCE

## MANPOWER CONSORTIUM

June 30, 2004

<u>Wagner-Peyser Act</u>		Total Workforce Investment and Reed Act**	Partnership for Adult Learning PAL-02-26	Totals
Employment Services	Reemployment Services			
\$ 133,255	\$ 13,459	\$ 1,647,902		\$ 1,968,927
			\$ 51,350	150,547
\$ 133,255	\$ 13,459	\$ 1,647,902	\$ 51,350	\$ 2,119,474
\$ 11,374		\$ 157,460	\$ 408	\$ 203,985
		\$ 339,767	\$ 35,343	\$ 375,110
		16,500		16,500
		<u>71,952</u>		<u>74,330</u>
		\$ 428,219	\$ 35,343	\$ 465,940
		58,120		58,120
		34,312		34,312
		\$ 264,734		\$ 264,734
		<u>213,137</u>		<u>213,137</u>
		\$ 477,871		\$ 477,871
121,881	\$ 13,459	280,417	15,599	98,015
		<u>211,503</u>		<u>569,728</u>
\$ 133,255	\$ 13,459	\$ 1,647,902	\$ 51,350	\$ 2,119,474
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

DETAIL STATEMENT OF REVENUES, EXPENDITURES  
WORKFORCE INVESTMENT ACT  
WESTERN UPPER PENINSULA

Year ended

	Workforce Investment Act (WIA) 2003-2004					
	Adult Regular	Dislocated Worker	Incumbent Worker Type R	Type E Capacity	Youth	Local Admin
Revenues -						
Federal grants	\$ 480,046	\$ 259,968	\$ 365	\$ 24,000	\$ 477,871	\$ 123,893
Expenditures:						
Administration				\$ 277		\$ 123,893
Direct training services:						
Classroom training	\$ 339,767					
On-the-job training	16,500					
Other training costs	<u>71,952</u>					
	\$ 428,219					
Core services - WIA	30,497	\$ 27,623				
Intensive services - WIA	21,330	12,982				
Training and supportive services:						
In-school youth costs					\$ 264,734	
Out-of-school youth costs					<u>213,137</u>	
					\$ 477,871	
Program costs		7,860	\$ 365	23,723		
Retraining		<u>211,503</u>				
	<u>\$ 480,046</u>	<u>\$ 259,968</u>	<u>\$ 365</u>	<u>\$ 24,000</u>	<u>\$ 477,871</u>	<u>\$ 123,893</u>
Excess of Revenues Over Expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund balance at July 1, 2003	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE AT JUNE 30, 2004	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

AND CHANGES IN FUND BALANCE -  
AND REED ACT

MANPOWER CONSORTIUM

June 30, 2004

<u>Reed Act</u>					
<u>Type A</u>		<u>Service Center Type B</u>			
<u>2002-03</u>	<u>2003-04</u>	<u>2002-03</u>	<u>2003-04</u>	<u>Totals</u>	
\$ 57,543	\$ 183,629	\$ 5,679	\$ 34,908	\$ 1,647,902	
\$ 22,031	\$ 9,679	\$ 500	\$ 1,080	\$ 157,460	
				\$ 339,767	
				16,500	
				<u>71,952</u>	
				\$ 428,219	
				58,120	
				34,312	
				\$ 264,734	
				<u>213,137</u>	
				\$ 477,871	
35,512	173,950	5,179	33,828	280,417	
				<u>211,503</u>	
<u>\$ 57,543</u>	<u>\$ 183,629</u>	<u>\$ 5,679</u>	<u>\$ 34,908</u>	<u>\$ 1,647,902</u>	
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Labor</u>			
Passed through State of Michigan			
Department of Career Development:			
Workforce Investment Act (WIA) Programs:			
WIA Adult Regular	17.258	\$ 493,224	\$ 480,046
WIA Youth	17.259	478,245	477,871
WIA Type E - Capacity	17.259	24,000	24,000
WIA Dislocated Worker	17.260	290,776	259,968
WIA Incumbent Worker - Type R	(17.258, 17.259, 17.260)	26,272	365
WIA Local Administration	(17.258, 17.259, 17.260)	134,497	123,893
Reed Act Type A	PL No. 107-147 of 2002	1,199,731	241,172
Reed Act Service Center:			
Type C	PL No. 107-147 of 2002	52,500	5,679
Type B	PL No. 107-147 of 2002	<u>40,000</u>	<u>34,908</u>
Total Workforce Investment Act Programs *		\$ 2,739,245	\$ 1,647,902
Welfare-to-Work:			
Type A	17.253	\$ 3,995	\$ 233
Type F	17.253	245,824	61,605
Type G	17.253	<u>59,928</u>	<u>6,693</u>
		\$ 309,747	\$ 68,531
Wagner-Peyser Act:			
Employment Services	17.207	\$ 133,255	\$ 133,255
Reemployment Services	17.207	<u>13,459</u>	<u>13,459</u>
		<u>\$ 146,714</u>	<u>\$ 146,714</u>
Total U.S. Department of Labor		\$ 3,195,706	\$ 1,863,147

# SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Program or Award Amount	Federal Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through State of Michigan			
Department of Career Development:			
TANF - Work First Type A - 2002-2003	93.558	\$ 194,405	\$ 99,900
TANF - Work First Type A - 2003-2004	93.558	<u>237,785</u>	<u>5,880</u>
Total U.S. Department of Health and Human Services		\$ <u>432,190</u>	\$ <u>105,780</u>
Total Expenditures of Federal Awards		\$ <u>3,627,896</u>	\$ <u>1,968,927</u>

The accompanying notes are an integral part of the  
Schedule of Expenditures of Federal Awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2004

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

1. \* Designates a Major Program.
2. This schedule of expenditures of federal awards includes the federal grant activity of the Western Upper Peninsula Manpower Consortium and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
3. The Workforce Investment Act (WIA) program is considered a Type A program and all other programs are considered Type B programs. The Workforce Investment Act program was selected as the major program using the risk-based audit approach and the 25% low-risk audit coverage rule.
4. The Consortium provided federal awards to subrecipients for the following programs in the specified amounts as follows:

<u>Program</u>	<u>CFDA No.</u>	<u>Amount</u>
Workforce Investment Act cluster:		
WIA Adult	17.258	\$ 66,018
WIA Youth	17.259	54,192
WIA Dislocated Worker	17.260	52,992
WIA Type R	17.258, 17.259, 17.260	365
Reed Act	17.258, 17.259, 17.260	<u>35,401</u>
Total Workforce Investment Act Cluster		\$ 208,968
TANF - Work First	93.558	39,641
Welfare to Work	17.253	28,142

5. Expenditures in this schedule are in agreement with the amounts reported in the financial statements.

SUPPLEMENTAL  
REPORTS



**JOKI, MAKELA & POLLACK, P.L.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.  
W. J. JOKI, C.P.A.  
A. R. POLLACK, C.P.A., C.S.E.P.  
MEMBERS

TELEPHONE  
906-932-4430  
FAX  
906-932-0677  
EMAIL  
jmp@ironwoodcpa.com

REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board  
Western Upper Peninsula Manpower Consortium  
Ironwood, Michigan

We have audited the financial statements of the governmental activities and the major fund of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Western Upper Peninsula Manpower Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Upper Peninsula Manpower Consortium's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted

no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Western Upper Peninsula Manpower Consortium in a separate letter dated December 22, 2004.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
December 22, 2004

**JOKI, MAKELA & POLLACK, P.L.L.C.**

**CERTIFIED PUBLIC ACCOUNTANTS  
301 N. SUFFOLK STREET  
IRONWOOD, MICHIGAN 49938-2027**

**T. J. MAKELA, C.P.A.  
W. J. JOKI, C.P.A.  
A. R. POLLACK, C.P.A., C.S.E.P.  
MEMBERS**

**TELEPHONE  
906-932-4430  
FAX  
906-932-0677  
EMAIL  
jmp@ironwoodcpa.com**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board  
Western Upper Peninsula Manpower Consortium  
Ironwood, Michigan

Compliance

We have audited the compliance of Western Upper Peninsula Manpower Consortium, a component unit of Gogebic County, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2004. Western Upper Peninsula Manpower Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Western Upper Peninsula Manpower Consortium's management. Our responsibility is to express an opinion on Western Upper Peninsula Manpower Consortium's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Western Upper Peninsula Manpower Consortium's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Western Upper Peninsula Manpower Consortium's compliance with those requirements.

In our opinion, Western Upper Peninsula Manpower Consortium complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questions costs on page C-2 and C-3 as items 04-1, 04-2, 04-3 and 04-4.

Internal Control Over Compliance

The management of Western Upper Peninsula Manpower Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Western Upper Peninsula Manpower Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Joki, Makela & Pollack, PLLC*

Certified Public Accountants

Ironwood, Michigan  
December 22, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2004

---

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Western Upper Peninsula Manpower Consortium.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Western Upper Peninsula Manpower Consortium were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Western Upper Peninsula Manpower Consortium expresses an unqualified opinion.
6. There were four audit findings relative to the major federal award program for Western Upper Peninsula Manpower Consortium to be reported in Part C of this Schedule, as listed below.
7. The program tested as the major program is the Workforce Investment Act (WIA) Cluster.
8. The threshold for distinguishing Types A and B programs was \$300,000. The WIA program cluster was considered to be Type A and the other programs to be Type B.
9. Western Upper Peninsula Manpower Consortium was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no reportable conditions noted during the financial statements audit.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

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### C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

#### FINDINGS

##### (04-1) Cash Management

Our audit procedures revealed excess cash on hand for the WIA Youth grant program in the WIA cluster, C.F.D.A. Number 17.259. This was caused by management requesting and receiving cash in advance of incurring expenditures.

The effect of this error is minimal as the excess cash was carried over to the subsequent grant period and expenditures were incurred in the subsequent grant period resulting in all excess cash being spent by June 30, 2004.

We recommend that the Consortium review the federal cash management requirements and adopt policies and procedures to comply with cash management requirements.

The Consortium management concurs and will review cash management requirements and develop policies and procedures to comply with the requirements.

##### (04-2) Federal Award Reporting Requirements

Our audit procedures revealed expenditures reported to pass-through entities on interim program reports did not agree with actual expenditures from the Consortium's financial records for several grants reported in the WIA cluster, C.F.D.A. Numbers 17.258, 17.259 and 17.260. The discrepancy was caused by the interim reports being filed without taking into account the accrual of expenditures for financial reporting purposes in the interim periods.

The effect of these errors is minimal as the expenditures were reported on the program reports in subsequent periods.

We recommend that the Consortium review their policies and procedures regarding preparation and submission of grantor reports and prepare reports accurately and report expenditures in the period they are incurred.

The Consortium management concurs and will complete reports in an accurate manner and ensure financial records used to prepare reports include all expenditures for the period reported.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

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C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT  
(CONTINUED)

FINDINGS (CONTINUED)

(04-3) Cost Allocation to Federal Award Programs

Our audit procedures revealed expenditures incurred at certain times during the fiscal year were not spread to major federal grant programs in accordance with the cost allocation plan in place at that particular time.

The effect of this error is minimal as the major federal award program expenditures were reported at amounts reflecting only expenditures charged to the applicable programs.

We recommend the Consortium establish procedures to ensure all costs subject to cost allocation between grant programs be allocated according to management's cost allocation plan in place during the year.

The Consortium management concurs and will establish procedures to ensure current cost allocation plans are used to allocate costs to grant programs.

(04-4) Subrecipient Monitoring Requirement

The Consortium is monitored by the State of Michigan. When monitoring activities reveal deficiencies, timely corrective action of the deficiencies is required. Our audit procedures noted corrective action of State of Michigan monitoring findings were not performed timely.

The effect of the untimely follow-up was minimal as the corrective action has been implemented and the corrective action was accepted by the State of Michigan.

We recommend the Consortium establish procedures to ensure required corrective action for monitoring or audit findings is completed in an acceptable time frame.

The Consortium management concurs and will establish procedures to ensure timely corrective action of any monitoring or audit findings.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
WESTERN UPPER PENINSULA MANPOWER CONSORTIUM

Year ended June 30, 2004

---

PRIOR AUDIT FINDINGS

(03-1) Federal Award Reporting Requirement

Our audit procedures revealed expenditures reported to pass-through entities on program reports did not agree with actual expenditures from the Consortium's financial records for the WIA-Reed Act - Type A reported in the WIA cluster, C.F.D.A. Numbers 17.258, 17.259, 17.260 and 17.267. The discrepancy was caused by the reports being filed without taking into account the accrual of expenditures for financial reporting purposes.

The effect of this error is minimal as the expenditures were reported on the program reports in the subsequent period during the grant year ending in September of 2003.

We recommended that the Consortium prepare reports accurately and expenditures be reported in the period they are incurred.

The Consortium management concurred and would complete reports in an accurate manner and ensure financial records used to prepare reports included all expenditures for the period reported. A similar finding was noted for the 2004 audit.